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FEDERAL COMMUNICATIONS COMMISSION

Washington, D.C. 20554

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In the Matter of)

Revision of Part 22 and Part 90) WT Docket No. 96-18 of the Commission's Rules to)
Facilitate Future Development) of Paging Systems)

Implementation of Section 309(j) PP Docket No. 93-253 of the Communications Act --)
Competitive Bidding)

REPLY COMMENTS OF PAGING NETWORK, INC.

PAGING NETWORK, INC.

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Its Attorneys

April 2, 1996

Summary

Paging Network, Inc. ("PageNet") hereby submits its reply comments in response to the Commission's Notice of Proposed Rulemaking regarding the future development of paging systems.

The Commission should adopt geographic licensing for paging channels, especially exclusive 900 MHz paging channels, because such licensing will be overwhelmingly beneficial to subscribers, carriers and the Commission. The market areas for paging geographic licenses should be based upon Rand McNally's Major Trading Areas ("MTAs"). Since paging systems already exist on every paging channel, the benefits of geographic licensing could not be realized with smaller than MTA-size systems because BTAs, and BEAs, would work to restrict, rather than encourage, the growth of paging systems. For instance, there are many BTAs that would not allow a single paging transmitter within their boundaries because they are not wide enough to allow for cochannel protection to adjacent licensees.

As a matter of fact and law, CCP nationwide carriers and PCP nationwide carriers that constructed qualifying systems as of February 8, 1996, already hold nationwide geographic licenses. Some of the commenters in this rulemaking stated that, because they compete with nationwide licensees, the Commission should award them geographic licenses as well. The existence of nationwide channels authorized by prior operation of the Commission's Rules is not an appropriate reason to consider the automatic award of geographic licenses to incumbents. Rather, the automatic award of geographic licenses is more appropriately considered in light of the existing build-out of incumbent systems within a geographic market area.

PageNet vigorously opposed the formulas proposed in the NPRM because: (1) they do not accurately reflect the service and interference area of paging systems; (2) the use of the formulas will consist of an unlawful taking under the Fifth Amendment of the United States Constitution; (3) they are a radical departure from the service and interference standards under which 900 MHz paging systems were built; and (4) the information needed to calculate the formulas for the purpose of co-channel separation is not readily available from a reliable source. These same concerns were echoed by other commenters.

One commenter proposed alternative formulas that they believed more accurately reflected the operations of paging systems. Although PageNet agrees that the formulas in the NPRM should not be used, PageNet believes that, rather than refining a formula-based method for co-channel separation, it is more appropriate and more efficient to utilize a standard mileage co-channel separation when ascertaining whether a co-channel transmitter may be operated from a specific location. Since the

majority of all 900 MHz systems already enjoy, at a minimum, 70 miles of separation between other co-channel licensees, PageNet supports a standard 70-mile separation between facilities of the geographic licensee and facilities of a co-channel incumbent. This minimum standard would dictate that the service contour of each 900 MHz facility would be 20 miles and the interference contour 50 miles. The 70-mile standard: (1) already has a history of proven co-channel protection; and (2) will obviate the need and expense of back-engineering the incumbent's system.

Because paging is a mature industry, PageNet and other commenters proposed that, in addition to the third- and fifth-year construction benchmarks, the Commission adopt a one-year construction benchmark that requires the geographic licensee to cover 10% of the population of the market by the interference contours of its facilities. Further, PageNet and others proposed to not adopt a provision that would allow a geographic licensee to show substantial service at the end of the five-year build-out period. By not adopting a substantial service provision and by adopting the three hard and fast construction benchmarks, the Commission will be ensuring that service is rapidly brought to the public.

Like PageNet, many commenters opposed a spectrum aggregation limitation or cap for paging channels. The reasons a spectrum cap is inappropriate for paging are that: (1) a majority of the paging is already licensed; (2) the paging marketplace is already highly competitive; and (3) compared to broadband carriers, paging carriers have an extremely small overall spectrum allocation.

Many of the commenters supported the automatic award of the geographic license to incumbent carriers that have already met or surpassed the ultimate construction benchmark for the geographic system. PageNet urges the Commission to adopt such automatic awards because there is no question and no room for debate that, in a market area where an incumbent licensee's system covers at least two-thirds of the population, the market area has no significant value to any other licensee.

The paging market consists of over 600 existing carriers with no significant economic or regulatory barriers to entry. It would, therefore, be inappropriate for the Commission to adopt Designated Entity ("DE") or small business provisions such as bidding credits and installment payments for the paging auction.

During the auction process, carriers must be able to modify their systems to meet subscriber demand. To mitigate the impact of the length of the auction and the petition to deny process after the auction, the Commission should extend the ability to license transmitting sites on a secondary basis through the auction and, for the winning bidder, up until the moment when the permanent authorizations are granted. In the alternative, the Commission should authorize the winning bidders to conduct

conditional operations during the pendency of their application for permanent authority.

The Commission should take special care in the adoption of anti-collusion regulations for the paging auction. Special care and potentially special exceptions are needed because of the hundreds of incumbents that will find themselves already operating on the same channel as other incumbents in any given geographic market.

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Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of)			
Revision of Part 22 and Part 90 of the Commission's Rules to Facilitate Future Development of Paging Systems))))	WT Docket	No.	96-18
Implementation of Section 309(j) of the Communications Act Competitive Bidding)))	PP Docket	No.	93-253

To: The Commission

REPLY COMMENTS OF PAGING NETWORK, INC.

Paging Network, Inc. ("PageNet"), by its attorneys and pursuant to 47 C.F.R. § 1.415(c), hereby submits its reply comments in response to the Commission's Notice of Proposed Rulemaking in WT Docket No. 96-18 and PP Docket No. 93-253.' In its Comments in this proceeding, PageNet urged the Commission to initiate the auction process as quickly as possible and requested that the Commission adopt simple and straightforward regulations and procedures for the future licensing and operation of paging systems. After having reviewed the comments filed by other parties in this proceeding, PageNet is even more convinced that speed and simplicity should be the watchwords for the future of paging regulations. In support of these Reply Comments, the following is respectfully shown:

In the Matter of Revision of Part 22 and Part 90 of the Commission's Rules to Facilitate Future Development of Paging Systems, Notice Of Proposed Rule Making, WT Docket No. 96-18 and PP Docket No. 93-253, (released February 9, 1996)("NPRM").

I. Geographic Licensing

The Commission should adopt geographic licensing for paging channels, especially exclusive 900 MHz paging channels, because such licensing will be overwhelmingly beneficial to subscribers, carriers and the Commission. The benefits of geographic licensing to the messaging industry include: (1) the ability to immediately build-out anywhere in the geographic license area to meet customers' needs; (2) rapid service to subscribers; (3) better engineered systems; (4) substantial cost savings in the licensing process; (5) greater control over construction schedules and system costs; (6) meaningful response to paging competition; and (7) administrative efficiency.

The market areas should be based upon Rand McNally's Major Trading Areas ("MTAs") because MTAs: (1) provide the economies of scale necessary to allow a licensee to provide complete state-of-the-art messaging services; (2) allow licensees the flexibility and coverage needed to fulfill their customers' desires for complete coverage throughout the particular market areas; (3) contain sufficient population and geographic area to support economically viable high-quality mobile service systems to serve both present and future needs; and (4) define regions that are large enough to permit systems to re-use spectrum efficiently.

In the comments filed in this proceeding, there was a great variety of opinion regarding the size of the market areas for the geographic licenses. Carriers such as PageNet, AirTouch, Arch

and Westlink, AT&T Wireless, TeleBeepers of New Mexico, American Paging, Mtel, A+ Communications, and the Personal Communications Industry Association ("PCIA") all supported geographic licensing on an MTA basis. Other carriers, including many small carriers that operate on lower band channels, opposed MTAs as the basic market area for geographic licensing.

PageNet is extremely concerned about any notion that smaller than MTA-size markets could be acceptable markets for paging.

PageNet respectfully submits that this proceeding is about the present and future of paging and the deployment of high capacity, wide area messaging services -- not its past. The current trend, which is driven by subscriber demand, in mobile services is for ever widening areas of coverage and even more sophisticated services. This fact has been borne out in the cellular and special mobile radio ("SMR") services and is also quite evident at both 931 MHz and 929 MHz paging. Because today's subscribers require a wider area of service, and in order to meet the needs of future subscribers, geographic licensing should be based upon major areas of economic cohesion, such as MTAs.

See e.g., Comments of PageNet at 6, AirTouch Paging ("AirTouch") at 15, Arch Communications Group and Westlink Licensee Corporation ("Arch") at 6, AT&T Wireless Services, Inc. at 5, TeleBeeper of New Mexico at 1, American Paging, Inc. ("AT&T Wireless") at 3, Mobile Telecommunications Technologies Corp. ("Mtel") at 6, A+ Communications, Inc. at 3 and PCIA at 17.

See e.g., Comments of Small Business in Telecommunications at 13, Joint Parties at 3, Paging Coalition at 8.

With approximately seven million subscribers, which is more than any other paging company in the United States, PageNet clearly understands subscriber needs. It is PageNet's considered opinion that MTA-based service areas are the minimum service areas that reflect the current and future needs of subscribers. To support its opinion, attached as Exhibit 1 are depictions of PageNet 900 MHz paging systems. As shown by the maps, these systems, which were not built-out with the benefit of wide-area geographic licenses, but based upon subscriber demand, approximate MTAs. As such, it is not in the public interest and would clearly be several steps backward for PageNet and other carriers to have to license in areas that are significantly smaller than the build-out that has already been completed through site-by-site licensing. Since paging systems already exist on every paging channel, the benefits of geographic licensing identified on page 2 above, could not be realized with smaller than MTA-size systems because BTAs, and BEAs, would work to restrict, rather than encourage, the growth of paging systems.

With respect to BTAs, there are many BTAs that would not allow a single paging transmitter within their boundaries because they are not wide enough to allow for co-channel protection to adjacent licensees. For instance, following is a listing of BTAs whose geographic width does not allow for the placement of a single paging transmitter.

BTA#	Major City	<u>Distance Across</u>
51	Boston, MA	25
318	New Haven, CT	22
25	Atlantic City, NJ	22
60	Buffalo, NY	21
321	Asbury Park, NJ	25
266	Lynchburg, VA	20
370	Reading, PA	30
152	Ft. Pierce, FL	22
326	Ocala, FL	32
181	Harrisburg, PA	30
145	Flint, MI	27

Taking into account that the minimum separation distance for both 931 MHz and 929 MHz systems is 70 miles, and the minimum service contour of a 900 MHz paging system is 20 miles with an interference contour of 50 miles, even a transmitter placed directly in the center of the listed BTAs could not operate without severely affecting co-channel operations in adjacent BTAs. In each of the listed BTAs, the majority of the interference contour of a single transmitter would fall outside of the BTA boundary.

Finally, the Commission must bear in mind that whenever it creates market boundaries, it is creating dead space in the area of the boundary where no subscriber can be reliably served.

Specifically, in the border areas between markets, there will be dead zones where the adjacent co-channel licensees will not be able to reliably provide service because of the potential for harmful interference to the other system. With smaller than MTA systems, such as BTAs, there are significantly more borders than MTAs. This means that the potential for dead space increases exponentially.

II. Nationwide Systems Cannot Be Included In The Upcoming Geographic Licensing Of Paging Channels

In its Comments, PageNet supported the Commission's proposal to exclude from the geographic licensing process channels that have already been assigned on a nationwide basis. PageNet supported this proposal because, as a matter of fact and law, Common Carrier Paging ("CCP") nationwide carriers and Private Carrier Paging ("PCP") nationwide carriers that constructed qualifying systems as of February 8, 1996, already hold nationwide geographic licenses.

Some of the commenters in this rulemaking stated that, because they compete with nationwide licensees, the Commission should award them geographic licenses as well. PageNet disagrees that the existence of nationwide licenses somehow creates an obligation to award geographic licenses to non-nationwide incumbent licensees. The nationwide CCP licenses have existed for some time and all carriers have had the ability to license PCP channels on a nationwide basis. The time to request reconsideration of nationwide CCP channel designations and assignments and the time to request reconsideration of the requirements of PCP nationwide exclusivity has long passed. Therefore, the existence of nationwide channels authorized by prior operation of the Commission's Rules is not an appropriate reason to consider the automatic award of geographic licenses to incumbents. Rather, the automatic award of geographic licenses

See e.g., Ameritech Mobile Services, Inc. ("Ameritech") at 13 and the Paging Coalition at 9-10.

is more appropriately considered in light of the existing buildout of incumbent systems within a geographic market area.

Finally, at least three commenters requested that non-nationwide channels be designated as nationwide channels. PageNet opposes these re-designations because: (1) unlike existing nationwide licensees, such assignments are not provided for under the Commission's existing rules; and (2) other licensees will not have the opportunity to put forth their nationwide equivalent channels for re-designation to nationwide status.

III. Treatment Of Incumbents

In the NPRM, the Commission proposed to adopt formulas for the calculation of both service and interference contours for 900 MHz paging systems. In its Comments, PageNet vigorously opposed the formulas because: (1) they do not accurately reflect the service and interference area of paging systems; (2) the use of the formulas will consist of an unlawful taking under the Fifth Amendment of the United States Constitution; (3) they are a radical departure from the service and interference standards under which 900 MHz paging systems were built; and (4) the information needed to calculate the formulas for the purpose of co-channel separation is not readily available from a reliable source. These same concerns were echoed by other commenters. §

See Comments of Mtel at 7-9, Mobile Media at 21 and United Paging Resources at 1-4.

See, e.g., AirTouch at 21-27.

In fact, not one commenter supported the use of these formulas and the proposed formulas must not be adopted.

One commenter, Comp Comm, proposed alternative formulas that Comp Comm believed more accurately reflected the operations of paging systems. Although PageNet agrees with Comp Comm and the other commenters that the formulas in the NPRM should not be used, PageNet believes that, rather than refining a formula-based method for co-channel separation, it is more appropriate and more efficient to utilize a standard mileage co-channel separation when ascertaining whether a co-channel transmitter may be operated from a specific location. As stated by PageNet above, simplicity should be the watchword for the future of paging regulations. The Comp Comm formulas are just as complicated to apply as the formulas proposed in the NPRM. These complications are needless and unnecessary when compared to the simplicity and successful history of standard mileage co-channel separations.

Since the majority of all 900 MHz systems already enjoy, at a minimum, 70 miles of separation between other co-channel licensees, PageNet proposed and still vigorously supports a standard 70-mile separation between facilities of the geographic licensee and facilities of a co-channel incumbent. This minimum standard would dictate that the service contour of each 900 MHz

If the Commission determines to adopt a formula based standard, PageNet would support the Comp Comm formulas over the formulas proposed by the Commission in the NPRM. PageNet believes that any formulas adopted could be used prospectively only and that existing systems should be protected on the basis of their current 50-mile interference contour.

facility would be 20 miles and the interference contour 50 miles. The 70-mile standard already has a history of proven co-channel protection and will allow 900 MHz licensees to maintain their current service and interference contours. In addition, this standard will obviate the need and expense of back-engineering the incumbent's system, as would be required by both the formulas in the NPRM and by Comp Comm, in order to locate geographic license co-channel facilities.

IV. PCP Systems Should Maintain Their Current Interference Protection

As stated by PageNet in its Comments, PCP systems currently enjoy one of four levels of co-channel status. Grandfathered licenses enjoy co-equal shared status. Local and regional licensees enjoy standard mileage co-channel separation from other exclusive licensees. Exclusive licensees that proposed an exclusive system, constructed some portion of the system, but did not construct a system that complied with the exclusivity requirements, enjoy secondary non-interference status to all later-filed and constructed exclusive PCP systems. Nationwide exclusive PCP systems are exempt from any new co-channel proposals by non-affiliated applicants seeking to serve new areas on the nationwide channel. Because local, regional and nationwide exclusive systems and their attendant co-channel protection has been earned under the exclusivity rules, having not earned exclusive co-channel protection, the Commission should not extend exclusive co-channel status to grandfathered and secondary systems. Grandfathered and secondary facilities should maintain their respective shared and secondary status.

V. The Commission Should Adopt One-, Three-, And Five-Year Construction Benchmarks Without Adopting A Substantial Service Option

The commenters in this proceeding universally agree that paging is a mature industry. Because paging is a mature industry, PageNet and other commenters proposed that, in addition to the third- and fifth-year construction benchmarks, the Commission adopt a one-year construction benchmark that requires the geographic licensee to cover 10% of the population of the market by the interference contours of its facilities. requirement will ensure that service is brought to the public rapidly and will encourage participation by those who are serious about serving the public. Further, PageNet and others proposed to not adopt a provision that would allow a geographic licensee to show substantial service at the end of the five-year build-out period. By not adopting a substantial service provision and by adopting the three hard and fast construction benchmarks, the Commission will be ensuring that service is rapidly brought to the public and that the paging spectrum is not tied up in small geographic systems when the spectrum would be more appropriately used by a substantial incumbent in the market. Additionally, this will prevent speculators from holding spectrum for five years without serving the public.

VI. Geographic System Border Area Considerations

In its Comments, PageNet proposed that the Commission:

See Comments of PageNet at 33, Arch at 8-9, AirTouch at 18-20, and AT&T Wireless at 8.

(1) allow adjacent geographic licensees to reach agreements among themselves with respect to sharing the border area between two market area licenses; and (2) that some technical criteria be established by the industry that could be utilized in lieu of an agreement. PageNet also proposed that the Commission not entertain any complaints regarding border operation unless the complaining carrier could demonstrate actual harmful interference to its system. PageNet continues to support these proposals.

PageNet wishes to note that protection requirements in the border areas between geographic licensees should not operate under the same criteria as co-channel protection to incumbent licensees. PageNet believes that 900 MHz incumbent licensees should be protected within their 50-mile interference contour whether they are in the middle of a market area or straddle the border between two market areas. Market area licensees will be different from incumbent licensees since market licensees should have the right to serve any area within their border absent an incumbent system in that area. Therefore, a 70-mile standard co-channel separation in the border areas will not allow the geographic licensees to serve the border and would cause endless disputes over near-border facilities.

Through PCIA, the paging industry is attempting to devise a technical standard that will allow the placement of border area facilities without the threat of harmful interference to the adjacent market area facilities and this proposal should be presented to the Commission within the next few weeks. PageNet wishes to emphasize that this technical standard would only be

used if the adjacent market area licensees chose not to reach an agreement among themselves regarding sharing the border area.

VII. Channel Aggregation Limitations Are Inappropriate For Paging

Like PageNet, many commenters opposed a spectrum aggregation limitation or cap for paging channels.' The reasons that a spectrum cap is inappropriate for paging are: (1) a majority of the paging channels are already licensed; (2) the paging marketplace is already highly competitive; and (3) compared to broadband carriers, paging carriers have an extremely small overall spectrum allocation. Accordingly, the Commission should not impose an aggregation limit or spectrum cap on paging channels.

VIII.Automatic Award Of The Geographic License To The Incumbent Licensee That Already Meets The Fifth Year Construction Requirement

Many of the commenters supported the automatic award of the geographic license to incumbent carriers that have already met or

See Comments of PageNet at 37, A+ Communications at 11, AirTouch at 30, Arch at 15, American Paging at 5, and PCIA at 27.

surpassed the ultimate construction benchmark for the geographic system.10 PageNet urges the Commission to adopt such automatic awards because there is no question and no room for debate that, in a market area where an incumbent licensee's system covers at least two-thirds of the population, the market area has no significant value to any other licensee. In addition, and more importantly, it is in the public interest to allow a significantly built-out paging system to complete the natural progression of its build-out in order to meet the needs of the subscribers. It is simply not in the public interest to allow a geographic licensee who will only be able to build-out a small system, to block incumbent systems and prevent wide-area service to the public. Accordingly, in the context of 900 MHz paging, the Commission should not auction any geographic license if an existing licensee on the specific channel already covers by its 50-mile interference contour two-thirds of the population of the market area. In this situation, the Commission should automatically award the geographic license to the incumbent licensee.

IX. Auction Design

The Commission should auction all of the 931 MHz and the 929 MHz channels simultaneously in one auction. This auction should be simple and straightforward and contain the following elements:

See e.g., Comments of PageNet at 39, A+ Communications at 8, Arch at 20, and AirTouch at 40.

- (1) Simultaneous rounds utilizing electronic bidding.
- (2) Bidders should only be able to bid on licenses that they specifically identify on their Form 175 applications and for which they have made a specific individual up-front payment.
- (3) Up-front payments for the top 10 markets should be \$10,000 for each license. For markets 11 through 51, the up-front payment should be \$5,000 for each license."
- (4) The auction for each license should close individually. The trigger for closure should be the passing of two rounds in which no new high bid is placed on the license.

X. Designated Entity Provisions

The paging market consists of over 600 existing carriers with no significant economic or regulatory barriers to entry. It would, therefore, be inappropriate for the Commission to adopt Designated Entity ("DE") or small business provisions such as bidding credits and installment payments for the paging auction. Allowing such credits adds fuel to the application mill's ability to "sell" chances to participate in the auction process to those investors that are unwitting or do not understand the obligations of Commission licensees, and serves no purpose related to the

PageNet understands that PCIA will be proposing a threetiered approach to up-front payments. That is, \$10,000 for markets 1 through 10, \$5,000 for markets 11 to 30, and \$2,500 for markets 31 through 51. PageNet does not oppose this approach to up-front payments.

auctions or service to the public. Why should the Commission create incentives that would allow new entrants in a market to have a bidding advantage against an incumbent that is already serving a meaningful portion of the MTA? Furthermore, the Commission will find that there is very little paging spectrum left and, as such, the Commission would merely be creating artificial incentives to bid. This would allow "DEs" to artificially bid up the price of spectrum that an incumbent must have to continue to expand its system and, thus, would be unfair in the context of the paging auctions.

XI. The Ability To Serve The Public Should Continue Throughout The Auction Process

During the auction process, carriers must be able to modify their systems to meet subscriber demand. To mitigate the impact of the length of the auction and the petition to deny process after the auction, the Commission should extend the ability to license transmitting sites on a secondary basis through the auction and, for the winning bidder, up until the moment when the permanent authorizations are granted. In the alternative, the Commission should authorize the winning bidders to conduct conditional operations during the pendency of their application for permanent authority.

The freeze has interrupted the build-out and enhancement of vital communications systems and service. Moreover, the freeze is working a competitive disadvantage to paging operators within

the CMRS industry. In contrast to cellular, SMR and PCS providers, CCP and PCP paging must wait for permanent authorization for geographic licenses while these other carriers are free to construct their systems and include paging in their basket of services. It can fairly be expected that the instant rulemaking and the auctions that are to follow will consume the better part of a year before geographic licenses are awarded, at some point, and the applications for geographic licenses could be challenged prior to grant by competitors. The extraordinary combination of circumstances presented by the imposition of the freeze and the Commission's transition of the paging industry to a new set of licensing procedures plainly mandates the Commission's exercise of its authority under Section 309(f) of the Act by adopting blanket conditional authorization for auction winners to mitigate the competitive harm to paging operators and speed the deployment of reliable services to the public.

XII. Anti-Collusion Rules

PageNet agreed with the Commission that the anti-collusion rules should be applied to the auctions for paging services. However, PageNet wishes to emphasize that the Commission should take special care in the adoption of anti-collusion regulations for the paging auction. Special care and potentially special exceptions are needed because of the hundreds of incumbents that will find themselves already operating on the same channel as other incumbents in any given geographic market. The Commission should fully consider whether an absolute prohibition on

discussing the auction with other auction participants will serve a legitimate purpose in the paging auction.

XIII.Conclusion

In light of the foregoing, PageNet requests that the Commission adopt new rules and auction procedures in accordance with its comments and reply comments, including: (1) initiating the auction process as quickly as possible; (2) using MTAs as the market areas for geographic licenses; (3) protecting incumbents from the geographic systems within their current interference contours by adopting a standard 70-mile co-channel separation and service and interference contours of 20 and 50 miles, respectively; (4) adopting an additional one-year 10% coverage requirement and not adopting a substantial service showing; (5) allowing both consensual and technical spacing of geographic license facilities in the border areas; (6) awarding geographic

licenses to those incumbent licensees that already satisfy the geographic license construction requirements; (7) conducting simultaneous electronic auctions where individual licenses close after two rounds in which no new high bid is tendered; and (8) allowing secondary licensing during the auction and/or conditional operation by the auction winner.

Respectfully submitted,

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April 2, 1996

Exhibit 1

PageNet 929.9625 MHz

